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MADRID 00000766 001.2 OF 003

11. (U) Summary. The recent announcement of a permanent ceasefire by the Basque separatist terror group ETA was met with cautious optimism by a public that recalls ETA's abandonment of previous truces. However, there is a sense that ETA's declining military fortunes and Zapatero's readiness to engage Basque political factions, have convinced ETA of the need to end violence and shift to the political arena. Government figures involved in the negotiations remain tight-lipped about the details of their discussions, but press reports indicate that Sinn Fein figures played a role in convincing ETA to shift to the political process and that Sinn Fein briefed former President Clinton and USG officials regarding the progress of the ETA talks; a March 30 press report indicated strong interest by former President Clinton in playing a mediating role. Some ETA-Government discussions evidently took place in third countries, including in Norway and Switzerland. The ETA announcement has proven a major political victory for the Zapatero government, one that will likely benefit the Socialist Party through the 2008 general elections. End summary.

//ETA ON THE WAN//

12. (U) ETA has killed more than 850 people during its four-decade-long battle to win self-determination for the Basque Region, which already enjoys considerable autonomy, including its own police force, control over tax revenues, and management of its education system. The terrorist group benefited from both a strong Basque sense of cultural identity and from the region's historical grievances against the Madrid government. However, support for ETA has been limited by the Basque region's heterogeneous political environment (with about one-third of the electorate supporting close ties to the central government) and by the strength of moderate Basque nationalist political groups. ETA and its political front groups, known as the "abertzale" or Basque nationalist left, have maintained a core of approximately 150,000 supporters out of the Basque Region's population of 2.1 million, a political base strong enough to play a spoiler, but too small to set the political agenda.

13. (U) ETA's military capacity has been in steady decline since 1990, a trend that has accelerated in recent years. The combination of Spanish/French police pressure and the exclusion of ETA front group Batasuna from the political system (because of its refusal to renounce terrorism) had greatly weakened ETA by 2004. Most police observers believe that fewer than 150 ETA terrorists remain at large, while more than 500 are being held in Spanish and French jails.

The March 2004 Madrid train attacks added complications for ETA in the form of increased public intolerance of political violence, even among Basque radical supporters.

¶14. (U) The Socialist (PSOE) victory in 2004 also led to greatly improved relations between the central government and moderate Basque political parties, further isolating radical Basque nationalists. Zapatero hinted, however, that the PSOE would be open to a greater political role for ETA front groups if the organization abandoned the armed struggle, an important signal in advance of key municipal elections coming up in 2007. Sensing the shift in its political and military environment, ETA approached the Zapatero government in August 2004 to suggest exploratory discussions.

//MULTIPLE CHANNELS OF COMMUNICATION//

¶15. (U) While the small circle of Zapatero advisers who manage the ETA peace process have refused to discuss details, press reports indicate that Zapatero responded positively to ETA's soundings, authorizing a series of contacts that eventually led to the March 22 cease fire announcement. It appears that those discussions were undertaken through intermediaries in different locations, including in Oslo and Geneva in the summer of 2005, and that the talks were intended as confidence building measures rather than to formally resolve specific issues.

¶16. (U) At the international level, Sinn Fein figures played an important role in convincing ETA to announce a cease fire and express support for a political solution to the conflict. Specifically, Parliamentarians Gerry Kelly and Alex Maskey have been identified as Sinn Fein "advisers" to ETA, a role they allegedly took on at the request of Batasuna. According to the daily "El Mundo," Kelly and Maskey briefed Sinn Fein leader Gerry Adams, who then reportedly briefed the Irish and UK governments, as well as U.S. State Department official Mitchell Reiss and former President Clinton, on the progress

MADRID 00000766 002.2 OF 003

of the talks. According to Spanish daily "El Periodico," Spanish government sources report that former President Clinton contacted Zapatero to offer to act as a mediator in ETA discussions; the press report said Zapatero was very interested in involving a "U.S. Democrat with international prestige" in the peace talks. COMMENT: The Embassy has not received any such indications from the Spanish government.
END COMMENT.

¶17. (U) While these international contacts were important in bringing ETA along, the key internal communications began with a set of conversations between the Basque branch of the Spanish Socialist Party and Batasuna leader Arnaldo Otegi in early 2004. Through these discussions (which will be reviewed extensively in a separate cable), the Zapatero government signaled its willingness to negotiate with radical Basques, but only if ETA announced a halt to its terrorist activities. Batasuna and Basque Socialist leaders agreed during these talks that ETA would leave political issues to be handled by "abertzale" (Basque leftist) political parties, while ETA would only address issues related to weapons and ETA prisoners. Under these terms, ETA agreed to a cease fire, at a time to be determined by the organization. Almost certainly, ETA made the announcement now in the hope that Batasuna would have time to negotiate its participation in the 2007 Basque municipal elections.

//PARSING THE CEASE FIRE//

¶18. (U) Spanish experts and media pored over the March 22 cease fire announcement to compare it with previous truce declarations. The most critical element in the 2006 ETA document in comparison with previous declarations is the absence of an explicit demand for Basque self-determination, ETA's central ambition throughout its history. The short ETA statement appears to have been drafted to fit the resolution

approved by Spain's Congress in May 2005, which requires ETA's abandonment of the armed struggle as a pre-condition for government negotiations with ETA. Skeptics point out that the ETA statement neither expressed regret for ETA's use of terrorist methods nor repudiated tactics such as extortion and "kale borroka," (organized vandalism and street violence), tactics it continued to employ during previous truces. It is vague in that respect and could leave the door open for ETA to continue to use these methods.

¶19. (U) Zapatero is expected to delay responding to ETA for at least two months to allow the government to determine whether ETA is complying with its cease fire. In an important clarification, Vice President Maria Teresa Fernandez de la Vega indicated that the government viewed both the cessation of ETA street violence and the halt of ETA extortion of Basque businesses as part of the cease fire.

//A POLITICAL COUP FOR ZAPATERO//

¶10. (SBU) While there is far to go in achieving a definitive end to the ETA problem, the cease fire announcement constitutes a resounding political victory for Zapatero. The cease fire not only vindicated Zapatero's pursuit of a negotiated solution to the conflict, it also undermined opposition accusations that he was weak on terrorism. The result was an immediate jump in Zapatero's approval ratings and a surge in confidence within the Socialist Party, which until the ETA announcement was barely one point ahead of the PP in the polls. Rafael Estrella, the Socialist spokesperson in the Parliamentary Foreign Affairs Commission, told the DCM and Political Counselor on March 22 that the ETA announcement virtually guaranteed a political victory for the Socialist Party in the 2008 general elections. Less partisan observers have echoed this analysis.

¶11. (U) Zapatero has moved swiftly to consolidate his advantage. After dramatically expressing his "full confidence" in the PP to work responsibly with his government in managing the ETA peace process, Zapatero met with Popular Party (PP) leader Mariano Rajoy on March 28 to seal the bargain. The PP grudgingly agreed to support the government's initiative, understanding that it would face a significant backlash if the party were perceived as blocking an opportunity to bring an end to ETA violence. In order to obtain full political cover, Zapatero will meet with all political parties to seek their support and is expected to eventually ask the Parliament for authorization to start official talks with ETA.

//COMMENT//

¶12. (SBU) It may be early for the PSOE to forecast victory in the 2008 elections, but the Zapatero government is clearly in a very strong position and well situated to direct events to

MADRID 00000766 003.2 OF 003

PSOE's advantage. Many observers expect Zapatero to delay any definitive solution regarding ETA's status and Basque autonomy until after the 2008 elections rather than risking a bruising political fight on these issues before electoral victory is assured. Zapatero could suffer if his handling of ETA is viewed as insensitive to the victims of terrorism, but his caution and pursuit of broad political backing for his approach to ETA will shield him to some degree. A more controversial point will be the political "reinsertion" of ETA-affiliated groups, which is necessary in Zapatero's view and yet anathema to the PP and to conservative voters. At this point, the most likely approach is the formation of a new Basque nationalist party rather than the "legalization" of Batasuna, since Batasuna remains under judicial sanction and is associated by the public with its defense of ETA terrorism.

AGUIRRE